



# ARIZONA STATE RETIREMENT SYSTEM

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*Paul Matson*  
Director

## SUMMARY OF A PUBLIC MEETING OF THE ARIZONA STATE RETIREMENT SYSTEM EXTERNAL AFFAIRS COMMITTEE

HELD ON  
February 19, 2015  
9:02 a.m., Arizona Time

The External Affairs Committee (EAC) of the Arizona State Retirement System (ASRS) met in the 14th Floor Conference Room of the ASRS Office, 3300 North Central Avenue, Phoenix, AZ, 85012. Dr. Richard Jacob, Chair, called the meeting to order at 9:02 a.m., Arizona Time.

This meeting was teleconferenced to the ASRS Tucson office at 7660 East Broadway Boulevard, Suite 108, Tucson, Arizona, 85710.

### 1. Call to Order; Roll Call; Opening Remarks

Present: Dr. Richard Jacob, Acting Chair  
Mr. Tom Manos – Via Teleconference  
Mr. Kevin McCarthy – Via Teleconference

A quorum was present for the purpose of conducting business.

### 2. Approval of the Public Meeting Minutes and Executive Session Meeting Minutes of the January 27, 2015 EAC Meeting

Dr. Richard Jacob requested the Executive Session minutes of the January 27, 2015 EAC meeting be amended to include the meeting date in the summary.

**Motion:** Mr. Kevin McCarthy moved to approve the minutes of the January 27, 2015 Public EAC meeting. Mr. Tom Manos seconded the motion. Mr. Kevin McCarthy moved to accept the Executive Session Meeting Minutes of the January 27, 2015 EAC Meeting with the inclusion of the meeting date in the summary of the minutes.

By a vote of 3 in favor, 0 opposed, 0 abstained, 0 excused, and 1 vacancy the minutes were approved.

### **3. Presentation, Discussion and Appropriate Action Regarding Legislative initiatives and Legislative Update**

Mr. Patrick Klein, Assistant Director, External Affairs Division, directed the Committee to the Bill Tracker updated Thursday, February 19, 2015, 7:55 am. Mr. Klein updated the committee on the status of the following bills:

**HB 2338: ASRS; Disability Program- Removing the word “total” when it precedes the word “disability” within A.R.S. § 38-797.07.** This bill moved from the House rules to House consent calendar.

**HB 2339: ASRS; Rules- Removes the words, “provided in rules” from A.R.S. § 38-703 and from A.R.S. § 38-755 remove the words, “subject to rules prescribed by the Board.”** This bill moved from the House rules to the House consent calendar.

**HB 2340: ASRS’ LTD Program; Liability- Indemnifying the ASRS, the ASRS Board, and ASRS employees against liability for action taken in the performance of their powers and duties of the Arizona State Retirement System Long-Term Disability Program.** This bill moved from the House rules to the House consent calendar. The speaker did not approve the language; therefore the bill is dead for this session.

**SB 1095: Community Colleges; Optional Retirement Plans- Asking for the words, “non-retired” to be included in the statute where the law will now read: “D. If an employee who is a NON-RETIRED member of the Arizona State Retirement system... the Arizona State Retirement System shall transfer the employee’s contributions... to the optional retirement program.”** This bill passed the Senate and is ready to cross over to the House.

**SB 1096: ASRS; Actuarial Valuation Method- Asking the Legislature to allow the ASRS Board to switch the actuarial valuation method on or after June 30, 2016.** This bill passed the Senate 29-0 and is ready for the House.

**SB 1097: ASRS’ Health Insurance Benefits- Proposed by outside tax counsel and is a requirement to obtain a favorable determination letter from the Internal Revenue Service: If a member of the Arizona State Retirement System who is eligible for health insurance premium assistance forfeits the member’s interest in the account before the termination of the ASRS, and amount equal to the forfeiture must be applied as soon as possible to reduce employer contributions to fund premium assistance benefits; Retroactive to July 1, 2013.** This bill passed the Senate 29-0 and is ready for the House.

**SB 1119: ASRS; Purchase of Credited Service- Modifying A.R.S. § 38-743, § 38-744, § 37-745 to reflect the Superior Court decision that Service Purchase is a contractual right protected by Article XXIX of the Arizona Constitution and thus cannot be restricted after one begins participation in ASRS; Also modifying the service purchase statutes to create two tiers regarding the prerequisite by stating that individuals with a membership date on or after 07/01/2010 must have 5 years of credited service in order to initiate a service purchase request.** The Senate approved

this bill with an amendment to change the title from “Tech Correction; Distribution of Revenues” to “Purchase of Credited Service.”

**HB 2137: ASRS; Employer Termination Incentive Program- Defining “promotion” as a true change in job duties, job title, and position held; and reducing the threshold, from thirty percent to fifteen percent, for salary increases wherein an employer is required to pay the unfunded liability to the ASRS, excluding promotions.** This bill was tabled and not scheduled to be heard, therefore it is dead for this session.

**HB 2151: PSPRS; Fire Chiefs; Eligibility- Changing A.R.S. § 38-842 to state that eligible members of PSPRS must perform hazardous duty, as determined by that individual’s local Board.** The House had a concern regarding the cost associated with the potential for abuse by individuals transitioning from PSPRS to ASRS. Dr. Richard Jacob asked how the concern regarding cost would affect the ASRS. Mr. Klein responded, stating that the anticipated impact of this bill on the ASRS would be limited due to the other statutory limitations involved. This bill passed the House Higher Ed Committee.

**SB 1121: ASRS; Participation Opt Out; Continuation- Authorizing persons meeting specified requirements to elect not to participate in the ASRS at any time and removing the date of July 1, 2015 emergency clause.** This bill passed the Senate 29-0 and is ready for the House.

**SB 1379: ASU; Public Enterprise University- Authorizing Arizona State University and the Arizona Board of Regents to modify the governing structure of ASU to reestablish it as an autonomous, quasi-public, nonprofit corporate entity. ASU is authorized to establish its own personnel system and its own health insurance plan for employees.** This bill will not be heard in the House of Origin and is considered dead for this legislative session.

#### **4. Presentation, Discussion, and Appropriate Action Regarding the Governor’s Rulemaking Moratorium**

Mr. Klein introduced Ms. Jessica Ross, ASRS Rule Writer, to present an update regarding the Rulemaking Moratorium. Ms. Ross explained that Governor Ducey issued an Executive Order establishing the current Rulemaking Moratorium which applies to the ASRS. The Moratorium directs agencies to seek approval from the Governor’s Office before proceeding with rulemaking actions. In seeking approval, agencies will site certain justifications for the rulemaking. After receiving approval, the agency may proceed with the rulemaking process. The Executive Order also directs agencies to submit two additional reports to the Governor’s Office. The first report will provide updates on the agency’s electronic processes with regards to customer financial interactions. This report is due July, 2015. The second report is intended to provide an update on all agencies’ rules with regards to what needs to be amended and what needs to be repealed. This report is due by September 2015.

#### **5. Call to the Public**

No members of the public requested to speak.

**Motion:** Mr. Kevin McCarthy moved to adjourn the February 19, 2015 EAC meeting. Mr. Tom Manos seconded the motion.

By a vote of 3 in favor, 0 opposed, 0 abstained, 0 excused, and 1 vacancy, the meeting was adjourned.

Dr. Jacob adjourned the meeting at 9:25 a.m.

Respectfully Submitted by,

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Courtney E. Micheau                      Date  
Committee Administrator

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Patrick M. Klein                      Date  
Assistant Director, External Affairs Division